

Message Text

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C O N F I D E N T I A L TOKYO 5017

E.O. 11652: GDS

TAGS: EEWT, CH, JA

SUBJ: JAPAN-CHINA JOINT TRADE COMMISSION MEETING

1. EMBOFF CALLED ON FONOFF (MINE, CHINA DIVISION) TO DISCUSS FIRST ANNUAL JAPAN-CHINA JOINT TRADE COMMISSION MEETING SCHEDULED FOR APRIL 18-19 IN PEKING. MASUO TAKASHIMA OF FONOFF (DIRECTOR GENERAL, ASIAN AFFAIRS BUREAU) WILL HEAD 21 MEMBER DELEGATION, INCLUDING YOSHINORI TODA FROM FINANCE MINISTRY (DEPUTY DIRECTOR GENERAL, CUSTOMS AND TARIFFS BUREAU), FUMITAKE KISHIDA FROM MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (DIRECTOR GENERAL, INTERNATIONAL TRADE ADMINISTRATION BUREAU) AND MAKOTO OKAYASU FROM AGRICULTURE AND FORESTRY MINISTRY (DIRECTOR GENERAL, ECONOMIC AFFAIRS BUREAU). FONOFF IS UNSURE OF COMPOSITION OF CHINESE SIDE BUT EXPECTS DELEGATION WILL BE UNDER DIRECTION OF MINISTRY OF FOREIGN TRADE AND WILL INCLUDE REPRESENTATIVES FROM PETROLEUM AND AGRICULTURE MINISTRIES.

2. FONOFF REGARDS JOINT TRADE COMMISSION, WHICH WAS
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AUTHORIZED BY ARTICLE 9 OF JAPAN-CHINA TRADE AGREEMENT,
AS VEHICLE FOR SENIOR GOVERNMENT OFFICIALS TO EXCHANGE

FORMAL AND INFORMAL VIEWS ON CURRENT BILATERAL ECONOMIC PROBLEMS, AND NOT AS FORUM FOR DETAILED NEGOTIATIONS. JAPANESE DELEGATION WILL NOT BE AUTHORIZED TO ENTER INTO FORMAL AGREEMENTS. NEVERTHELESS, AS OUTLINED BELOW, AGENDA SUBMITTED BY JAPANESE SIDE AND ACCEPTED BY CHINESE ENCOMPASSES SEVERAL MAJOR BILATERAL ECONOMIC PROBLEMS.

3. TRADE IMBALANCE. JAPANESE DELEGATION WILL EXPLORE WITH CHINESE WAYS TO INCREASE JAPANESE IMPORTS FROM CHINA AS MEANS OF REDUCING JAPAN'S TRADE SURPLUS WITH CHINA (\$863 MILLION IN 1974 AND EXPECTED TO WIDEN FURTHER IN 1975). FORTHOFF DOUBTS THAT IMPORTS WILL GROW FAST ENOUGH TO AFFECT BILATERAL TRADE BALANCE SIGNIFICANTLY IN NEAR FUTURE. THIS BEING THE CASE, FORTHOFF OFFICIALS STRONGLY HOPE CHINESE WILL NOT MAKE THIS PROBLEM A MAJOR ISSUE AT OFFICIAL LEVEL.

4. PETROLEUM. BOTH CHINESE AND JAPANESE AGREE THAT EXPANDING CHINESE OIL EXPORTS TO JAPAN IS MOST PROMISING MEANS OF IMPROVING TRADE IMBALANCE, BUT EVEN PUTTING ASIDE PRICE CONSIDERATIONS FORTHOFF DOUBTS CHINESE CAN INCREASE PRODUCTION AND IMPROVE PORT AND STORAGE FACILITIES RAPIDLY ENOUGH TO AFFECT 1975 TRADE BALANCE. IN RECOGNITION OF CHINESE POLICY OF ECONOMIC SELF-RELIANCE, JAPANESE DELEGATION WILL NOT PUT FORTH ANY PROPOSALS FOR JOINT PETROLEUM DEVELOPMENT PROJECTS, BUT WILL ATTEMPT TO ELICIT INFORMATION ON CHINESE PRODUCTION AND EXPORT PLANS. MITI REPRESENTATIVES MAY RAISE POSSIBILITY OF GOVERNMENT TO GOVERNMENT OIL ARRANGEMENT IN INFORMAL TALKS, BUT SUBJECT WILL NOT BE FORMALLY TABLED, UNLESS BY CHINESE WHO HAVE NOT INDICATED INTENTION SO TO DO. MINE ALSO CONFIRMED INDICATIONS EMBASSY HAD RECEIVED FROM INDUSTRY SOURCES THAT CONTRARY TO SPECULATION IN PRESS AND ELSEWHERE, JAPAN-CHINA CRUDE OIL IMPORT STUDY COUNCIL, RECENTLY ESTABLISHED UNDER MITI SPONSORSHIP, IS NOT INTENDED TO BE A "THIRD WINDOW" TO CHINA OIL TRADE. RATHER COUNCIL, WHICH FALLS UNDER DIRECTION OF JAPAN-CHINA ECONOMIC ASSOCIATION AND
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INCLUDES REPRESENTATIVES FROM BOTH INTERNATIONAL OIL COMPANY AND JAPAN-CHINA OIL IMPORT COUNCIL, WILL SERVE AS FOCAL POINT FOR COLLECTION AND DISSEMINATION OF INFORMATION ON CHINA OIL TRADE.

5. SILK AND TEXTILES. MOST DIFFICULT ISSUE FACING JAPANESE SIDE IS CONFLICT OF VIEWS BETWEEN MITI, WHICH WANTS TO ALLOW IMPORT OF RAW SILK FROM CHINA IN RETURN FOR CHINESE RESTRAINT ON EXPORTING TEXTILES TO JAPAN, AND MINISTRY OF AGRICULTURE, WHICH FROM AUGUST 1974

UNTIL FEBRUARY OF THIS YEAR SUCCEEDED IN BLOCKING IMPORTS OF RAW SILK FROM CHINA TO PROTECT JAPANESE PRODUCERS. DESPITE IMMINENCE OF JOINT COMMISSION MEETING, MINISTRIES HAVE NOT YET REACHED AGREEMENT ON HOW TO HANDLE THIS ISSUE. (MINE DISMISSED AS MITI-INSPIRED PRESSREPORTS THAT JAPANESE INTEND TO REQUEST THAT CHINESE EXERCISE "SELF-RESTRAINT" IN SILK FABRIC EXPORTS TO JAPAN). CHINESE OFFICIAL POSITION HAS BEEN THAT PROBLEM IS FOR JAPANESE TO SOLVE INTERNALLY, BUT PRIVATE INDUSTRY SOURCES REPORT CONSIDERABLE CHINESE UNHAPPINESS OVER BOTH SLUGGISH SALES OF TEXTILES AND LOW RAW SILK QUOTA GRANTED FOR FIRST QUARTER 1975.

6. LEGAL ISSUES. JAPANESE SIDE ALSO INTENDS TO DISCUSS IN GENERAL TERMS LONG STANDING PROBLEMS CONCERNING PATENTS PROTECTION PROCEDURES, ARBITRATION OF CONTRACT DISPUTES, VISA AND RESIDENCY RESTRICTIONS ON JAPANESE TRADERS, AS WELL AS VARIETY OF CHINESE TRADE PRACTICES, ESPECIALLY IN DRAWING UP CONTRACTS THAT JAPANESE REGARD AS INEQUITABLE. DELEGATION WILL NOT, HOWEVER, BE PREPARED TO NEGOTIATE RESOLUTION OF THESE PROBLEMS DUE TO CONTINUING DISAGREEMENT WITHIN GOJ ON SEVERAL ISSUES.

7. YEN-YUAN FUTURES. JAPANESE DELEGATION WILL BE PREPARED TO DISCUSS ESTABLISHING YEN-YUAN FUTURES TRANSACTIONS AT JOINT COMMISSION MEETING, BUT FONOFF HAS BEEN INFORMED BY PRIVATE INDUSTRY SOURCES THAT CURRENT VISIT TO JAPAN BY BANK OF CHINA PRESIDENT IS GOING WELL AND MAY RESULT IN RESOLUTION OF PROBLEM.
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